



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

April 5, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE – AFFORDABLE HOUSING

Executive Summary

This memorandum contains a report on the following measures of County interest related to financing affordable housing:

- **AB 2031 (Bonta).** This measure would allow cities and counties to establish affordable housing special beneficiary districts to promote the development of affordable housing through the issuance of bonds serviced by funds returned to the city through the redevelopment dissolution process.
- **AB 2441 (Thurmond).** This measure would establish the Workforce Housing in High-Cost Areas Pilot Program to award grant funding to eligible cities or counties and counties to fund creation or rehabilitation of affordable housing.
- **AB 2697 (Bonilla).** This measure would require a redevelopment successor agency, prior to the disposal of land of the former redevelopment agency, to send a written offer to sell for the purposes of developing low- and moderate-income housing to any local public entity within whose jurisdiction the land is located.
- **AB 2734 (Atkins).** This measure would establish the Local Control Affordable Housing Act to identify State savings accumulated from the elimination of redevelopment agencies and redirect a portion of those revenues back to local governments to address affordable housing needs.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Background

Existing law, effective February 1, 2012, dissolved redevelopment agencies (RDAs) and provided for the designation of successor agencies to: 1) service the enforceable obligations of the dissolved agencies; 2) wind down the affairs of the dissolved agencies; and 3) among other things, dispose of all assets and properties of the former RDAs. From February 1, 2012, to July 1, 2012, and for each fiscal year thereafter, the auditor-controller in each county is required to allocate property tax revenues in the county's Redevelopment Property Tax Trust Fund to receive revenues equivalent to those that would have been allocated to former RDAs for the payment of enforceable obligations and to local taxing entities.

Existing law also establishes the Local Housing Trust Fund Matching Grant Program which is administered by the Department of Housing and Community Development (HCD) to support local housing trust funds dedicated to the creation or preservation of affordable housing. The HCD is authorized to make matching grants available to cities and counties, or a city and county, and existing charitable nonprofit organizations that have created, funded, and operated housing trust funds.

Proposition 58, approved by the voters in March of 2004, established the Budget Stabilization Account (BSA), and requires the State Controller to transfer a specified percentage of estimated State General Fund revenues from the General Fund to the BSA. The Legislature may transfer, by statute, amounts in excess of the specified percentage to the BSA. The Governor, by executive order, may suspend the transfer to the BSA.

Legislation of County Interest – Financing Affordable Housing

AB 2031 (Bonta), which as amended on March 17, 2016, would authorize a city or county that formed an RDA and became the successor agency that received a finding of completion from the Department of Finance to reject its allocations of property tax revenues from the Redevelopment Property Tax Trust Fund and to direct those revenues to an affordable housing special beneficiary district.

The affordable housing special beneficiary districts established under AB 2031 would be temporary and distinct local governmental entities for the purpose of receiving a rejected distribution of property tax proceeds. Its sole power would be to promote affordable housing by providing financing assistance within its boundaries. The districts would be governed by a 5-member board comprised of: 1) three members of the city council or county board of supervisors that formed the redevelopment agency and became the successor agency; 2) the treasurer of that city or county; and 3) one member of the public, appointed by the city or county, who lives within the boundaries of that city or county.

The affordable housing special beneficiary districts would promote the development of affordable housing within its boundaries by: 1) issuing bonds to be repaid from the property tax revenues directed to the district; 2) providing financial assistance for the development of affordable housing, including, but not limited to, providing loans, grants, and other financial incentives and support; and 3) taking other actions the board determines will promote the financing of the development of affordable housing within its boundaries.

The bill also would require the affordable housing special beneficiary district to cease to exist on the 90th calendar day after the date the county auditor-controller makes the final transfer of the distribution of property tax revenues to the beneficiary district, and prohibit a beneficiary district from undertaking any obligation that requires its action past that date.

According to the author's office, AB 2031 would speed up the process to construct desperately affordable housing projects by allowing a city or county to issue bonds serviced by funds returned to the city or county through the dissolution of redevelopment agencies.

AB 2031 is sponsored by the City of Oakland. The measure has been referred to the Assembly Housing and Community Development Committee. A hearing date has not been set.

AB 2441 (Thurmond), which as amended on March 18, 2016, would create the Workforce Housing in High-Cost Areas Pilot Program, through which the Department of Housing and Community Development (HCD) would award grant funding to eligible cities or cities and counties located in a high-cost counties for affordable rental housing projects. The bill also would require the pilot program to operate until all appropriated funds have been awarded and would require HCD, upon the depletion of appropriated funds, to report to the Legislature on the need for housing of persons and families of low and moderate income in the cities or cities and counties that received grant funds and to provide a recommendation on whether the pilot program should continue.

AB 2441 defines an eligible city or city and county as a city that resides within a county that is defined by the United States Department of Housing and Urban Development as a "high-cost" county. Upon receiving a grant award, an eligible city or city and county must: 1) use the grant funds awarded to it for the pre-development costs, acquisition, construction, or rehabilitation of rental housing projects or units within rental housing projects; 2) ensure that the affordability of all housing units be restricted for a period of at least 55 years; 3) hold a public hearing to discuss and describe the project that will be financed; and 4) file periodic reports with the Department regarding the use of funds.

AB 2441 has been referred to the Assembly Housing and Community Development Committee. A hearing date has not been set.

AB 2697 (Bonilla), which as introduced on February 19, 2016, would require: 1) a successor agency, prior to the disposal of land of the former RDA, to send a written offer to sell for the purposes of developing low- and moderate-income housing to any local public entity (as defined) within whose jurisdiction the land is located; and 2) the sale of land of the former RDA to be subject to certain requirements relating to affordable housing.

AB 2697 would allow housing sponsors, be sent, upon written request, a written offer to sell land for the purpose of developing low- and moderate-income housing. Housing sponsors would include any individual, joint venture, partnership, limited partnership, trust, corporation, limited equity housing cooperative, cooperative, local public entity, among others, or any combination thereof, certified by the California Housing Finance Agency as qualified to either own, construct, acquire or rehabilitate a housing development, whether for profit, nonprofit, or organized for limited profit.

AB 2697 would require that an entity proposing to purchase and to use the land to make not less than 25 percent of the total number of units developed available at an affordable housing cost or affordable rent to lower income households. Rental units would remain affordable to, and occupied by, lower income households for a period of at least 55 years through covenants or restrictions recorded against the property at the time of sale, which would run with the land and be enforceable. Should the local agency disposing of the land receive offers from more than one entity, AB 2697 would require the local agency to give first priority to the entity that proposes to provide the greatest number of housing units that meet the requirements detailed above.

In the event that the local agency disposing of the land does not come to terms with an entity which was given the opportunity to purchase the land and instead disposes of the surplus land to an entity that uses the property for the development of 10 or more residential units, the entity, or a successor-in-interest, shall provide not less than 15 percent of the total number of units at affordable housing cost, or affordable rent, to lower income households. These units must remain affordable for at least 55 years through covenants or restrictions recorded against the property, and these requirements shall be enforceable.

AB 2697 is scheduled for a hearing in the Assembly Housing and Community Development Committee on April 13, 2016.

AB 2734 (Atkins), which as amended on March 17, 2016, would establish the Local Control Affordable Housing Act and: 1) require the Department of Finance to determine the State General Fund savings for the fiscal year resulting from the dissolution of

RDAs; 2) provide that, upon appropriation, 50 percent of that amount or \$1.0 billion, whichever is greater, be allocated to the HCD to provide funding to local agencies for housing; and 3) require HCD to create an equitable funding formula that is geographically balanced and takes into account factors of need including, but not limited to, poverty rates and lack of supply of affordable housing for persons of low and moderate incomes in local jurisdictions.

The bill specifies the funds may be used for: 1) the development, acquisition, rehabilitation, and preservation or provision of rental housing and homeownership opportunities that are affordable to extremely low, very low, low-, and moderate-income households; 2) capitalized reserves for capitalized operating costs, rental subsidies, and resident services connected to the creation of new permanent supportive housing, including, but not limited to, developments funded through the Veterans Housing and Homelessness Prevention Program; 3) modifications to homes to increase accessibility and visitability, in conjunction with the construction, acquisition, and rehabilitation or preservation of homes affordable to lower income households; 4) the acquisition and rehabilitation and reuse of foreclosed and vacant homes; 5) infrastructure related to affordable infill housing development and other related infill development infrastructure; 6) the acquisition of land necessary for the development of affordable housing as part of an overall development strategy; and 7) the rapid rehousing of homeless individuals and families.

AB 2734 would require at least 25 percent of the expenditures to be directed to housing for persons of extremely low income and at least 50 percent to be directed to housing for persons of very low income. Any housing units built with funds received under the Local Control Affordable Housing Act would remain available at affordable housing costs to, and occupied by, persons and families of very low, low-, or moderate-income households for the longest feasible time, but for not less than 55 years for rental units and 45 years for owner-occupied units.

AB 2734 includes provisions to suspend the appropriation of funds for the Local Control Affordable Housing Act in any fiscal year in which the Governor suspends or reduces the transfer of State General Fund revenue to the Budget Stabilization Account (BSA), or funds are returned to the State General Fund from the BSA pursuant to Proposition 58 of 2004.

According to the Governor's FY 2016-17 Proposed Budget, since FY 2011-12, K-14 schools have received over \$4.3 billion in additional property tax revenue, resulting in a roughly commensurate amount of Proposition 98 General Fund savings for the State. The Budget Proposal also projects that through FY 2018-19, annual State General Fund savings will be over \$1.0 billion, and that these amounts will grow over the next three decades as the former RDA's debts are repaid.

Each Supervisor
April 5, 2016
Page 6

According to the author's office, AB 2734 would help local governments accelerate the production of affordable housing by creating a permanent source of funding for local housing needs.

According to the Assembly Housing and Community Development Committee analysis of AB 2734, as a result of redevelopment dissolution, California has reduced funding for the development and preservation of affordable homes by 79 percent from approximately \$1.7 billion a year to nearly nothing. The committee analysis also notes that California has a shortfall of 1.5 million affordable units for extremely low- and very-low income renter households.

AB 2734 is supported by: the American Planning Association (California Chapter); Association of Regional Center Agencies; League of California Cities; and National Association of Social Workers (California Chapter). There is no opposition on file.

AB 2734 passed the Assembly Housing and Community Development Committee by a vote of 6 to 1 on March 30, 2016. This measure scheduled for a hearing in the Assembly Local Government Committee on April 13, 2016.

This office, County Counsel, and the Auditor-Controller are analyzing these measures to determine the potential impact to the County.

We will continue to keep you advised.

SAH:JJ:MR
VE:AO:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association